



# State of Wisconsin

## LEGISLATIVE REFERENCE BUREAU

1 EAST MAIN, SUITE 200  
P. O. BOX 2037  
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561  
REFERENCE SECTION: (608) 266-0341  
FAX: (608) 264-6948

STEPHEN R. MILLER  
CHIEF

July 25, 2005

## MEMORANDUM

**To:** Senator Risser

**From:** Joseph T. Kreye, Sr. Legislative Attorney, (608) 266-2263

**Subject:** Technical Memorandum to **2005 SB-252** (LRB 05-3127/1)

---

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

## **MEMORANDUM**

July 20, 2005

**TO:** Joseph Kreye  
Legislative Reference Bureau

**FROM:** Paul Ziegler  
Department of Revenue

**SUBJECT:** Technical Memorandum on SB 252 – Sales and Use Tax Exemption for Hybrid Vehicles

The Department has the following concerns with the bill:

1. The bill is assumed to apply only to vehicles that use multiple power sources, such as the Toyota Prius. However, "hybrid motor vehicle" is undefined and so the bill may exempt vehicles not intended by the author, such as crossover vehicles. Crossover vehicles, including the Lexus RX 330, Honda Pilot and Toyota Highlander, combine features of passenger cars and SUVs which are themselves truck-based.
2. The bill is not clear as to whether a \$1,000 cap would apply to county and stadium taxes as well as to state taxes. If a \$1,000 cap applies to each jurisdiction, the purchase price greater than \$20,000 (\$1,000/5%) would be subject to state tax; the price greater than \$200,000 (\$1,000/0.5%) would be subject to county or football district tax; and the price greater than \$1,000,000 (\$1,000/0.1%) would be subject to baseball district tax. Having different sales tax bases for state and local sales taxes (\$20,000; \$200,000; and \$1,000,000) would create complexity for motor vehicle dealers and may be confusing to purchasers. The complexity of the bill could be reduced by specifying that the amount of the price subject to state taxes (e.g., the amount greater than \$20,000) is also subject to county and stadium taxes.
3. The cap on the exemption also creates complexity for motor vehicle dealers that lease hybrid motor vehicles. Such a dealer (or finance company) would have to keep track of the tax being exempted on the lease payments, and if it reaches \$1,000 at some point during the course of the lease, would have to begin reporting and paying tax on the lease payments. The change in the lease payment may also be confusing to hybrid purchasers.

If you have any questions regarding this technical memorandum, please contact Blair Kruger at 266-1310 or [bkruger@dor.state.wi.us](mailto:bkruger@dor.state.wi.us).

cc: Senator Risser